

# Healthy Wisconsin

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Potential Models: Key Policy Issues



# Presentation Overview

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- Discussion of three potential reinsurance program models.
- Identification of the key policy issues associated with each model.
- Discussion of strengths and weaknesses.



# Why is program design important?

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- The design specifics of any insurance or reinsurance product is important.
- Experience in other states suggests that poor design leads to low program enrollment and minimal, if any, affect on health insurance costs.
- While high health care costs are a problem for everyone, some segments of the market face bigger challenges.
- If subsidies or mandates are required, the scope of the program will be important.

# Model #1. Small Group/Non-group Program

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- ❑ Goal: Create an affordable health insurance product for small businesses and individuals that face the biggest barriers to health care access.
- ❑ Proposal:
  - ❑ Create a subsidized reinsurance program that is open to individuals and certain/all small businesses.
  - ❑ The reinsurance program would be linked to a primary, HMO-provided, insurance product.
  - ❑ Administered as a government program by OCI.

# Model #1: Small Group/Non-group Program (cont.)

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## □ Key Policy Issues

- Would HMO's be required (mandate) to offer the product?
- Would the product be "community-rated" and "guaranteed issue"?
- Would small businesses and individuals be mandated into the program.
- Would the program be open to all small businesses or a subset?
- How would the subsidy be structured?
- Could the program partner with Co-op Care?

# Model #1: Small Group/Non-group Program (cont.)

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## □ Strengths

- Addresses the most pressing problem (small/non-group market.)
- Funding needs more limited than statewide pool.
- Avoids ERISA issue.

## □ Weaknesses

- Doesn't benefit everyone. Large businesses also face high health care costs.

# Model #2: Statewide Catastrophic Care

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- ❑ Goal: Create a reinsurance program that would be available to all Wisconsin residents and businesses.
- ❑ Proposal:
  - ❑ All residents under 65 (some exceptions) would participate.
  - ❑ Program would be funded by either employer or individual contributions.
  - ❑ No primary insurance product would be offered.
  - ❑ Program would be administered by a quasi-public board of stakeholders.
  - ❑ Program could be modeled on other successful government reinsurance programs (ex: Patient Compensation Fund)

# Model #2: Statewide Catastrophic Care (cont.)

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## □ Key Policy Issues

- Would the mandate apply to businesses or individuals?
  - If to businesses, how would ERISA issues be handled?
- How would the reinsurance product be structured?
  - Aggregate stop-loss
  - Excess-of-loss
  - Procedure-based reimbursement
- How do you ensure that the savings caused by the program gets passed on to consumers?
  - Insurance reform?
  - Other

# Model #2: Statewide Catastrophic Care (cont.)

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## □ Strengths

- Potential for statewide impact.
- Could give Wisconsin an economic competitive edge.

## □ Weaknesses

- Challenges with funding and ERISA.
- Either a mandate or large subsidy would be necessary to avoid adverse selection problems.
- Implementation may be a challenge.

# Model #3: Hybrid Program

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- ❑ Goal: Create a program that offers both a subsidized reinsurance product to small businesses and individuals as well as a catastrophic insurance product.
- ❑ Proposal:
  - ❑ Merge elements of models 1 and 2.
  - ❑ Focus available subsidy on small businesses and individuals.
  - ❑ Program is administered by quasi-public board (similar to HIRSP)
  - ❑ The excess-of-loss reinsurance product and primary insurance product would be targeted at small businesses and individuals. Catastrophic insurance at various levels of coverage also available.

# Model #3: Hybrid Program (cont.)

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## □ Key Policy Issues

- Same policy questions as Models 1 and 2.
- Would the catastrophic product be optional or mandatory?
- Would the catastrophic product be subsidized?
- Would anyone actually sign up for the catastrophic product?

# Model #3: Hybrid Program (cont.)

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## □ Strengths

- Addresses both the core of the problem (small/non-groups) but also provides a statewide benefit.
- Subsidy could be limited to only the small/non-group market to keep down costs.

## □ Weaknesses

- Difficult to control adverse selection issues if statewide portion is optional.
- Catastrophic insurance market already exists.

# Discussion and Questions

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## Healthy Wisconsin

A Program to Lower Costs and  
Increase Access to Insurance  
for Businesses and Families